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DACHAN FOOD (ASIA) LIMITED

大成食品(亞洲)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3999)

Announcement of Results for the three months ended 31 March 2022

The board of directors (the “Board”) of DaChan Food (Asia) Limited (the “Company”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) for the three months ended 31 March 2022:

Highlights

	Three months ended 31 March		
	2022	2021	% change
	(unaudited)	Restated* (unaudited)	
Turnover (RMB'000)	1,336,395	1,609,152	-17.0
Gross profit (RMB'000)	143,311	201,182	-28.8
Gross profit margin (%)	10.7	12.5	
Profit attributable to equity shareholders of the Company (RMB'000)	5,599	68,768	-91.9
Basic earnings per share (RMB)	0.006	0.068	

Restated*: During the fourth quarter of 2021, the Group disposed of its subsidiaries operating in Vietnam and Malaysia to focus on the development of its business in Mainland China. Accordingly, the financial results of these disposed subsidiaries prior to disposal are presented as “discontinued operations” in the consolidated financial statements in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”. Prior year comparative information has been restated to conform to the presentation.

CONSOLIDATED INCOME STATEMENT
For the three months ended 31 March 2022
(Expressed in RMB'000 unless stated otherwise)

	Three months ended 31 March	
	2022	2021
	(unaudited)	Restated* (unaudited)
Continuing operations		
Turnover	1,336,395	1,609,152
Cost of sales	<u>(1,193,084)</u>	<u>(1,407,970)</u>
Gross profit	143,311	201,182
Other operating income	5,750	3,593
Other net (losses)/gains	(1,574)	893
Distribution costs	(69,727)	(75,323)
Administrative expenses	<u>(60,562)</u>	<u>(59,832)</u>
Profit from operations	17,198	70,513
Finance costs	(2,447)	(3,364)
Share of profit of equity accounted investees	<u>(450)</u>	<u>(85)</u>
Profit before taxation	14,301	67,064
Income tax	<u>(4,163)</u>	<u>(2,686)</u>
Profit from continuing operations	10,138	64,378
Profit from discontinued operations	<u>–</u>	<u>23,007</u>
Profit for the period	<u><u>10,138</u></u>	<u><u>87,385</u></u>
Attributable to:		
Equity shareholders of the Company	5,599	68,768
Non-controlling interests	<u>4,539</u>	<u>18,617</u>
Profit for the period	<u><u>10,138</u></u>	<u><u>87,385</u></u>
Earnings per share		
– Basic and diluted (RMB)	<u><u>0.006</u></u>	<u><u>0.068</u></u>
Earnings per share-continuing operations		
– Basic and diluted (RMB)	<u><u>0.006</u></u>	<u><u>0.052</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION**At 31 March 2022***(Expressed in RMB'000 unless stated otherwise)*

	At 31 March 2022	At 31 December 2021
	(unaudited)	(audited)
Non-current assets		
Fixed assets		
– Property, plant and equipment	1,009,405	1,019,618
– Lease prepayments	138,690	139,841
– Investment property	55,259	56,381
Interests in equity-accounted investees	69,346	69,796
Other financial assets	1,948	1,948
Deferred tax assets	8,843	4,274
Long-term tax recoverable	139,778	139,778
Other non-current assets	56,259	31,734
	<u>1,479,528</u>	<u>1,463,370</u>
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Current assets		
Inventories	589,245	608,153
Biological assets	169,720	143,647
Trade receivables	211,405	213,087
Other receivables and prepayments	363,597	387,945
Cash and cash equivalents	559,296	625,059
	<u>1,893,263</u>	<u>1,977,891</u>
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Current liabilities		
Trade payables	369,611	397,655
Other payables	271,349	293,094
Contract liabilities	22,475	26,195
Interest-bearing borrowings	105,504	133,640
Lease liabilities	3,387	3,387
Income tax payable	11,470	10,215
	<u>783,796</u>	<u>864,186</u>
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Net current assets	<u>1,109,467</u>	<u>1,113,705</u>
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	At 31 March 2022 (unaudited)	At 31 December 2021 (audited)
Total assets less current liabilities	<u>2,588,995</u>	<u>2,577,075</u>
Non-current liabilities		
Interest-bearing borrowings	271,738	273,852
Lease liabilities	29,632	30,579
Deferred tax liabilities	<u>7,937</u>	<u>3,097</u>
	<u>309,307</u>	<u>307,528</u>
Net assets	<u><u>2,279,688</u></u>	<u><u>2,269,547</u></u>
Capital and reserves		
Share capital	97,920	97,920
Reserves	949,767	949,624
Retained profits	<u>955,578</u>	<u>950,071</u>
Total equity attributable to equity shareholders of the Company	2,003,265	1,997,615
Non-controlling interests	<u>276,423</u>	<u>271,932</u>
Total equity	<u><u>2,279,688</u></u>	<u><u>2,269,547</u></u>

RESULTS SUMMARY

For the first quarter of 2022, the Company's operating revenue was approximately RMB1,336,395 thousand, representing a decrease of approximately 17% compared to the restated revenue for the same period last year. Profit attributable to shareholders was approximately RMB5,599 thousand, representing a decrease of approximately 91.9% compared to the same period last year. Excluding the profit from the Southeast Asian feed business for the same period last year, the profit attributable to shareholders of the domestic businesses decreased by approximately 89.5% compared to the same period last year. The decline in revenue and profit was mainly due to the following factors: the impact of international affairs, the rise in the prices of bulk raw materials, the increase in losses from pig farming, the reduction in stocking or cessation of farming by small and medium-sized pig farms, and the year-on-year decrease in feed sales; the chicken market remained in the doldrums and rising feed costs aggravated losses in broiler farming, resulting in a strategic reduction in broiler stocking and electro-slaughtering by the Company; and the COVID-19 pandemic control measures implemented by local government in early March had a certain degree of negative impact on the transportation of raw materials and finished goods to and from our plants.

As affected by the sluggish Japanese economy and the low price competition from Thai exports to Japan which put pressure on food export results, the export revenue decreased by approximately 31.9% year-on-year in the first quarter. However, benefiting from the steady growth of the domestic food market, the overall operating revenue and gross profit of the food business only dropped slightly by 1.6% and 1.1%, respectively. Due to the impact of the COVID-19 pandemic in China, consumer demand for travel, leisure and entertainment was dampened. The pandemic management and control from early March had a significant impact on the catering market and group meal channels, and also had a significant impact on cold chain food logistics and distribution. To cope with this situation, the food team actively sought business opportunities in the pandemic, exploring potential customers who were relatively less affected by the pandemic, such as the supply-guaranteed meals for epidemic prevention and community group purchases, which could break through local logistics restrictions to minimise the adverse impact of the pandemic on our results. The food team also continued to increase its efforts in developing direct customers, recruiting more strategic customers through joint research and development of customised products and comprehensive supply chain services. The food team also invested more resources in key regions and channels to assist distributors in launching various promotional activities to increase the market share. In terms of product innovation, the food team has kept abreast of the market demand, continuously exploring new processes and enriching the product range, striving to create more key products. In terms of retail business, the food team also focused its resources on retail channels such as e-commerce platforms, community group purchases, community convenience stores and agricultural markets, to further enhance the promotion of family-sized products and improve channel construction and regional network.

Operating revenue and gross profit of the feed business decreased by approximately 29.4% and 43.4% respectively in the first quarter compared to the same period last year. As affected by the international affairs, the domestic prices for bulk raw materials raised, and the cost of feed for pig farming increased. At the same time, pork consumption was constrained by the control measures of the COVID-19 pandemic and the market for pork and hogs remained sluggish, resulting in hog farming still not getting out of the loss predicament. In contrast to the large-scale pig farming enterprises with a higher degree

of vertical integration, small and medium-sized pig farms are relatively less risk averse. As a result of long-term losses, small and medium-sized pig farms began to reduce their stock or even stopped raising pigs. Due to the decline in pig stocking by customers, the sales volume and profit of pig feeds in the feed business declined to varying degrees compared to the same period last year. In response to this severe market situation, the feed business invested in research and development of niche products such as ruminants and market development, and actively explored markets other than pig feeds to enrich its product range so as to diversify its market risk.

In the first quarter, revenue and gross profit of the meat business decreased by approximately 12.9% and 70.4% respectively compared to the same period last year. Falling chicken prices and rising feed costs significantly compressed profit margins in the meat business. In order to reduce farming losses, the Group strategically eliminated poorly performing farmers and planned to reduce the scale of farming and electro-slaughtering. On the other hand, the Group continued to improve the performance of contracted feeds and rationalised the distribution of farming profits and losses by adjusting the contract policy with farmers so as to reduce the cost of broiler farming. At the same time, the Group is actively recruiting customers who value product quality, such as chain fresh food and mega stores, and eliminating price-sensitive customers, so as to improve the sales channels and enhance the brand value.

The Omicron virus has been spreading in many provinces and cities in China since the beginning of March, causing great inconvenience to people in their daily lives and work. In response to the call from the local government, the Group actively engaged in the pandemic prevention and control, and at the same time met the special needs of major customers such as COSTCO and Hema Supermarket to ensure the supply in the pandemic, and completed the production and logistics distribution of the supply-guaranteed products within a short period of time to provide timely and safe food to residents in the restricted areas, thus fulfilling the Group's social responsibility.

Looking ahead to the second quarter of 2022, the war between Russia and Ukraine and COVID-19 will remain as the major uncertainties affecting the global and domestic economies, and the threat of inflation caused by the financial policies adopted by various countries to stimulate economic recovery may continue to exist. The Group will continue to take the food business as the lead to constantly explore new sources of growth, to take the feed business as its foundation and diversify the market risk by product diversification, and to improve the operational structure of its meat business, adjust its share of upstream industries as appropriate, focus on end-market development and strengthen cash flow management. With the synergy of its food, feed and meat businesses, the Group will increase investment in talent and teams, promote digital transformation, improve supply chain management, reorganise sales channels and enhance operational efficiency to enhance the overall industrial competitiveness and risk resistance.

The Group maintains a healthy financial structure. As at 31 March 2022, net assets of the Group amounted to approximately RMB2,279,688 thousand; cash and cash equivalents represented approximately 16.6% of total assets. As at 31 March 2022, current ratio of the Group was approximately 2.42, representing a slight increase over the ratio of approximately 2.29 as at 31 December 2021. The interest-bearing borrowings to equity ratio as at 31 March 2022 was approximately 16.5%, representing a decrease over the relevant ratio (approximately 18.0%) as at 31 December 2021.

OTHERS

As at the date of this announcement, the Company is a subsidiary of Great Wall Enterprise Co. Ltd. (“Great Wall Enterprise”, the shares of which are listed on Taiwan Stock Exchange Corporation (the “Taiwan Stock Exchange”)), which indirectly holds approximately 52.04% of the entire issued shares of the Company; therefore, the operating results of the Group will be consolidated into the financial statements of Great Wall Enterprise. In accordance with the Taiwan Securities and Exchange Act and the listing rules of the Taiwan Stock Exchange, Great Wall Enterprise is required to prepare its own consolidated quarterly financial reports and publish its quarterly operating results on its website.

This announcement is made for the purpose of disclosing the financial information of the Company to its shareholders and potential investors in a timely manner in compliance with the requirements of Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

PURCHASES, SALE OR REDEMPTION OF SECURITIES

For the three months ended 31 March 2022, the Company and any of its subsidiaries have not purchased, redeemed or sold any of the Company’s listed securities.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group’s consolidated financial statements for the three months ended 31 March 2022 which have not been audited by the independent auditor.

On behalf of the Board
James Chun-Hsien Wei
Chairman

Hong Kong, 28 April 2022

As at the date of this announcement, Mr. James Chun-Hsien Wei (Chairman) and Mr. Han Chia-Yin are the executive directors of the Company, Mr. Han Chia-Yau, Mr. Harn Jia-Chen, Mr. Han Jia-Hwan, Mr. Chao Tien-Shin and Mr. Wei Anning are the non-executive directors of the Company, and Mr. Way Yung-Do, Mr. Chen Chih, Mr. Ting Yu-Shan and Mr. Hsia, Li-Yan are the independent non-executive directors of the Company.